

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 DODE-00 PM-04
H-01 L-03 NSC-05 PA-01 PRS-01 SS-15 USIA-06 IGA-02
NEA-10 OIC-02 /119 W
-----041815Z 024172 /43

R 041211Z MAR 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3163
INFO ALL EC CAPITALS 3211
AMEMBASSY BERN
AMEMBASSY OTTAWA
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USMISSION OECD PARIS
USMISSION GENEVA
USMISSION NATO

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E.O. 11652: GDS
TAGS: ENRG, EEC
SUBJECT: CIEC-EC COMMISSION STAFF IDEAS REGARDING FINAL CIEC
PACKAGE

REF: (A) EC BRUSSELS 1863, (B) EC BRUSSELS 1316,
(C) EC BRUSSELS 1263, (D) EC BRUSSELS 1373, (E) 76 EC BRUSSELS 11065

1. SUMMARY: THE EC COMMISSION STAFF HAS OUTLINED ITS
THINKING REGARDING A FINAL CIEC PACKAGE: 1) COMMITMENT TO
INCREASE AID TRANSFERS; 2) \$2 BILLION OF "IMMEDIATE ACTION"
AID; 3) A SERIES OF COMMODITY PROPOSALS; 4) SOME EMBELLISH-
MENT ON DEBT RELIEF PROCEDURES; AND 5) SEVERAL MINOR
PROPOSALS. THE COMMISSION IS LIKELY TO PUT FORWARD THESE
PROPOSALS FOR DISCUSSION AT MARCH 25 EUROPEAN COUNCIL
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AND APRIL 5 FOREIGN MINISTERS COUNCIL. COMMISSION
OFFICIALS WANT TO KEEP IN CLOSE TOUCH WITH US THINKING
SO AS TO HARMONIZE CIEC APPROACHES AS MUCH AS POSSIBLE.
END SUMMARY.

2. MISSION OFFICERS HAVE DISCUSSED WITH COMMISSION
STAFF CASPARI, DG-I; NICOLAI, DG-III; FRISCH, DG-VIII;

SCHMALLENBACH, DG-II; AND CHIEFS OF HAERKAMP AND CHEYSSON CABINETS, FROSCHMAIER AND SOUBESTRE, THEIR IDEAS REGARDING POSSIBLE FINAL CIEC PACKAGE. THIS MESSAGE REPRESENTS A SYNTHESIS OF THESE CONVERSATIONS. STAFF IS IN GENERAL AGREEMENT ON MAIN OUTLINES OF PACKAGE AND THE COMMISSION IS CURRENTLY DISCUSSING VARIOUS OPTIONS. THE COMMISSION PLANS TO SUBMIT ITS PROPOSALS TO MEMBER STATES SOMETIME THIS MONTH. THE MARCH 25 EUROPEAN COUNCIL HEADS OF GOVERNMENT MEETING AND THE APRIL 5 FOREIGN MINISTERS COUNCIL ARE EXPECTED TO DISCUSS PROPOSALS.

3. RESOURCE TRANSFER: COMMISSION STAFF IS SEEKING A PRECISE G-8 COMMITMENT TO INCREASE SUBSTANTIALLY ITS OFFICIAL DEVELOPMENT ASSISTANCE (ODA) OVER THE MEDIUM-TERM. THE G-8 WILL NECESSARILY HAVE TO TAKE A "DIF-FERENTIATED" APPROACH BECAUSE SOME PARTICIPANTS HAVE ALREADY REACHED OR HAVE PRECISELY PLEDGED TO REACH THE 0.7 PERCENT ODA TARGET WHILE OTHERS HAVE NOT MADE SUCH AN UNDERTAKING. THE UK AND ITALY CANNOT BE EXPECTED AT THIS TIME TO PLEDGE MAJOR ADDITIONAL AMOUNTS OF AID. HOWEVER, THE FRG AND JAPAN, THE STAFF SAYS, SHOULD DO MUCH MORE BUT THEIR WILLINGNESS WILL DEPEND AT LEAST IN PART ON WHAT THE US IS PREPARED TO DO. CASPARI SUGGESTS, FOR EXAMPLE, THAT EACH G-8 PARTICIPANT OFFER A COMMITMENT TAILORED TO ITS SPECIFIC NEEDS AND CONDITIONS. THESE COMMITMENTS SHOULD BE COORDINATED SO AS TO REPRESENT A COMMON EFFORT TO RESPOND TO LDC NEEDS FOR ADDITIONAL ODA.

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4. ODA "IMMEDIATE ACTION": THE STAFF GIVES PRIORITY TO THE EC PROPOSAL TO PROVIDE ABOUT \$1.9 BILLION OF ADDITIONAL ODA TO 35 POOREST LDCS OVER THREE-YEAR PERIOD. (SEE REF. D FOR DETAILS.) ALTHOUGH THIS AMOUNT REOUGHLY CORRESPONDS TO THREE-YEAR DEBT SERVICE PAYMENTS OF 35 LDCS, THE STAFF DOES NOT PROPOSE ALLOCATING FUNDS TO LDCS IN PROPORTION TO PROJECTED DEBT PAYMENTS. IN FACT, MEMBER STATES HAVE INSISTED THAT THERE BE NO DIRECT LINK WITH DEBT PAYMENTS. THESE LDCS INCLUDE INDIA, PAKISTAN, SRI LANKA, VIET-NAM, AND BURMA AS WELL AS THE UN LIST OF LEAST DEVELOPED COUNTRIES. THE STAFF PROPOSES, HOWEVER, THAT THE FUNDS COULD BE ALLOCATED FLEXIBLY, AND NOT NECESSARILY JUST TO THE 35 LDCS. THE NINE FAVOR ALLOCATING THESE FUNDS TO IDA OR BILATERALLY, OR BOTH.

5. THE COMMISSION STAFF IS ALSO CONSIDERING USING THE IMF TRUST FUND, FOR DISBURSEMENT OF IMMEDIATE ACTION ODA,

BECAUSE OF IMF BALANCE OF PAYMENTS AND STABILIZATION PROGRAM REQUIREMENTS. THE NINE DISAGREE OVER HOW THIS CONTRIBUTION MIGHT BE SHARED. THOSE THAT HAVE AGREED TO ODA TARGET BELIEVE THEY SHOULD HAVE TO PAY LESS THAN THE OTHERS. THUS, IDA OFFERS THE ADVANTAGE OF AN AGREED UPON KEY TO DETERMINE PARTICIPANTS' CONTRIBUTIONS. THESE CONTRIBUTIONS SHOULD BE IN ADDITION TO NORMAL AID FLOWS. SHOULD THE US PARTICIPATE, ITS CONTRIBUTION SHOULD BE \$250 - 300 MILLION ANNUALLY FOR THREE YEARS.

6. COMMODITIES: THE STAFF PROPOSES MANAGING THE UNCTAD COMMON FUND NEGOTIATIONS SO AS TO CONCEDE AS LITTLE AS POSSIBLE WHILE AT THE SAME TIME OBTAINING G-77 AGREEMENT TO POSTPONE FINAL NEGOTIATIONS WITHOUT A MAJOR BLOW-UP. THEY CONSEQUENTLY DO NOT YET KNOW WHAT TO PUT FORWARD IN THE FINAL STAGES OF THE NEGOTIATIONS. THE CONFIDENTIAL

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MARCH 25 EUROPEAN COUNCIL WILL LIKELY DECIDE ON AN OFFER BASED ON THE COUSE OF THE NEGOTIATIONS. THE STAFF WANTS TO MAKE NEW PROPOSALS IN CIEC IN THE HOPES THAT THE DIALOGUE CAN DEFUSE THE RAW MATERIALS DEBATE. THE FOLLOWING ARE THE ELEMENTS OF A COMMODITIES PACKAGE:

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A. THE EC MIGHT MAKE A "POLITICAL SIGNAL" NEAR THE END OF THE NEGOTIATIONS INDICATING THAT 1) PRODUCERS AND CONSUMERS SHOULD HAVE A JOINT RESPONSIBILITY IN FINANCING COMMODITY AGREEMENTS; 2) IF AND WHEN A SUFFICIENT NUMBER OF SUCH AGREEMENTS ARE ESTABLISHED, THE EC WOULD ACCEPT A POOLING OF THE SURPLUS FUNDS OF THESE AGREEMENTS WITHIN A COMMON FUND; AND 3) THE EC IS WILLING TO WORK TOWARD THE GOALS OF THE UNCTAD INTEGRATED COMMODITY PROGRAM, I.E., CURRENT RESERVATIONS ON THE NAIROBI COMMODITIES RESOLUTION WOULD BE LIFTED. THE CF MIGHT ALSO BORROW ON CAPITAL MARKETS IF ADDITIONAL FUNDS ARE NEEDED.

B. THE EC MIGHT AGREE TO NEGOTIATE SEVERAL COMMODITY AGREEMENTS SUCH AS RUBBER AND COPPER, AND TO IMPROVE THE EXISTING TIN AND COCOA AGREEMENTS. THESE AGREEMENTS COULD INCLUDE PROVISIONS FOR ADAPTING BUFFER STOCK INTERVENTION PRICES TO OVERALL PRICE

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TRENDS.

C. A GLOBAL SCHEME FOR THE STABILIZATION OF EC EXPORT EARNINGS FROM SPECIFIC COMMODITIES COULD BE ESTABLISHED EITHER ALONG THE LINES SUGGESTED IN REF E OR A CENTRALIZED SYSTEM WHICH MIGHT BE PLACED WITHIN AN INTERNATIONAL FINANCIAL INSTITUTION.

D. EXISTING INSTITUTIONS SUCH AS THE IMF BUFFER STOCK AND COMPENSATORY FINANCING FACILITIES, WOULD BE EXPANDED AND CALLED UPON TO DO MORE TO ASSIST LDCS TO DIVERSIFY AND TRANSFORM THEIR PRODUCTION.

7. DEBT RELIEF PROCEDURES: THE STAFF BELIEVES THE CURRENT US-EC DRAFT ON DEBT RELIEF PROCEDURES COULD BE ENHANCED, BUT IT HAS NO MAJOR SUBSTANTIVE CHANGES TO PROPOSE AT THIS TIME.

8. OTHER ELEMENTS: THE STAFF SUGGESTS: 1) A G-8 COMMITMENT TO LOOK INTO UNTYING ITS BILATERAL AID AND IMPROVING THE QUALITY OF AID; 2) A WILLINGNESS TO INCREASE FOOD AID; AND 3) SUPPORT FOR THE AFRICAN DECADE FOR THE DEVELOPMENT OF TRANSPORTATION AND COMMUNICATION FACILITIES.

9. THE EC COMMISSION SEEKS TO CONTINUE SOME ASPECTS OF CIEC, PARTICULARLY THE ENERGY DISCUSSIONS, BUT MEMBER STATES DIFFER OVER

SPECIFICS. THE DUTCH AND DANES, FOR EXAMPLE, HAVE A SPECIFIC MECHANISM TO PROPOSE WHILE OTHERS ARE QUITE FLEXIBLE. THE STAFF WOULD ALSO LIKE THE FINAL CIEC CONSENSUS TO RECOGNIZE THAT FOREIGN PRIVATE INVESTMENT (FPI) IS A FACTOR IN THE DEVELOPMENT PROCESS. FURTHER CONSIDERATION SHOULD BE GIVEN TO INCREASING FPI FLOWS. IT ALSO SEEKS A STATEMENT CALLING FOR MEASURES TO IMPROVE ACCESS TO LDC RAW MATERIALS.

10. COMMISSION OFFICIALS WANT TO COORDINATE CLOSELY WITH THE US IN ORDER TO ASSURE THAT US-EC PROPOSALS ARE HARMONIZED. THEY REMAIN PESSIMISTIC OVER CIEC PROSPECTS. THEY ARE FEARFUL THAT THE

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ABOVE PACKAGE WILL NOT BE SUFFICIENT TO END THE DIALOGUE SATISFACTORILY. IN FACT, THESE OFFICIALS ARE STILL CONSIDERING THE POSSIBILITY OF NOT HOLDING THE CIEC MINISTERIAL MEETING SHOULD THE G-19 OPPOSE A FINAL PACKAGE ALONG THE ABOVE LINES. (MISSION OFFICIALS EXPRESSED THESE VIEWS BEFORE MARCH 2 G-8 MEETING IN PARIS; SEE OECD PARIS 6292.) HINTON

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